

Peoples⁺
1971
**ANNUAL
REPORT**

PEOPLES CREDIT JEWELLERS LIMITED



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PEOPLES CREDIT JEWELLERS LIMITED

directors

BERTRAND GERSTEIN, chairman

MARVIN GERSTEIN

IRVING R. GERSTEIN

officers

BERTRAND GERSTEIN
chairman of the board

MARVIN GERSTEIN
president

IRVING R. GERSTEIN
executive vice-president

JAMES T. RODDY
vice-president, finance & treasurer

JAMES A. HENRY
vice-president, operations

DAVID LEVINE
president, Mappin's Limited

IRWIN KOFFMAN
secretary

head office

181 YONGE STREET, TORONTO, CANADA

transfer agent

CANADA PERMANENT TRUST COMPANY,
1901 YONGE STREET, TORONTO, CANADA

366-2281

PEOPLES CREDIT JEWELLERS LIMITED

NINETY-FOUR STORES AS AT JANUARY 31, 1972

	<u>Peoples</u>	<u>Mappin's</u>	<u>MacKenzie's</u>	<u>Leased Departments</u>	<u>Coronet Card Shops</u>
BELLEVILLE	1			1	
BRAMPTON	1				
BURLINGTON	1	1			
CALGARY	2		2		
CLARKSON	1				
EDMONTON	7				1
HALIFAX	2				
HAMILTON	2				1
KAMLOOPS	1				
KELOWNA	1				
KINGSTON	2				
LETHBRIDGE	1		1		
LONDON	1			1	
MONCTON	2				
MONTREAL	9	2			
MOOSE JAW	1				
NANAIMO	1				
NEW WESTMINSTER	1				
OAKVILLE	1				
OTTAWA	2			2	
PETERBOROUGH	1			1	
PRINCE ALBERT			1		
RED DEER	1				
REGINA	1		2		
SARNIA	1				
SASKATOON	2	1			1
THUNDER BAY		2*			
TORONTO	5	1		2	1
VANCOUVER	3	2			
VICTORIA	2				
WELLAND				1	
WINDSOR	3	1			1
WINNIPEG	5				1
TOTAL	<u>64</u>	<u>10</u>	<u>6</u>	<u>8</u>	<u>6</u>

* Operated under the name of Birks Stitt Credit Jewellers

PEOPLES CREDIT JEWELLERS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The fiscal year ended January 31, 1972 produced the greatest volume of sales and the greatest net income in the 52 year history of the Company. Sales for the year were \$27,520,925, up from \$25,509,502 the previous year — an increase of 7.9%. Net income from operations was \$1,550,129 or \$1.01 a share, compared with \$728,158 or 46¢ a share, the previous year — an increase of 112%. An extraordinary gain of \$395,125 or 26¢ a share, increased the previous year's net income to \$1,123,283 or 72¢ a share.

Working capital during the year increased \$1,184,938 to \$10,501,445. As usual the greater part of earnings has been retained for reinvestment in the further development of the Company.

A year ago, I concluded my report to the Shareholders with the comment, "The improvement that followed in the third and particularly in the fourth quarter, and our experience during the first two months of the current fiscal year affords us a great deal of satisfaction and makes us confident that the current year will show a very substantial increase in Net Income from operations". The results summarized above would indicate that our confidence was justified.

At special general meetings of the Shareholders held on November 16, 1971, certain changes in the capital of the Company were approved. As a result, the Common and Class A shares were sub-divided on a two for one basis. The quarterly dividend paid November 15, 1971, was increased 50% from 5¢ a share to a new rate of 7½¢ a share.

In December, 1971, the three largest holders of Peoples Credit Jewellers stock made available 300,000 Class A shares to the Public through a secondary offering. Although Peoples Credit Jewellers Limited has been a public company for many years, the stock had been closely held with very narrow distribution. The purpose of this secondary offering was to broaden the distribution of the Class A shares and to provide liquidity for investors. The interest shown in the Company by investors, and the acceptance that the offering received is appreciated.

During the year we continued our policy of aggressive expansion. Six Peoples Credit Jewellers stores were opened in Shopping Centres in Belleville, Calgary, Kelowna, Red Deer, Toronto and Victoria. Mappin's continued its program of expansion by opening a store on Bloor Street in Toronto. One MacKenzie's store in Moose Jaw and one Coronet Card Shop in Toronto were closed during the year to bring our total number of stores to 94 at the year end.

Since the year end we have opened Peoples Credit Jewellers stores in Shopping Centres in Barrie, Thunder Bay and Calgary, and a business has been acquired and will be operated as Peoples Credit Jewellers in Prince George. For the balance of the year additional Peoples Credit Stores are already planned for Shopping Centres in Edmonton, Vancouver, Prince Albert, Malton, Hull and Pickering. In addition three Mappin's stores are planned, two in Toronto (for a total of three) and one in Edmonton. In all we anticipate 15 stores will be opened during the current year and present commitments and negotiations would indicate an even larger number in 1973.

In addition to our program of expansion we instituted during the past year a program of major renovation of our older downtown stores in order to not only provide for a normal standard of maintenance, but to completely change the tone and image of these stores in keeping with that of our new Shopping Centre stores. During the year we renovated our Edmonton, Calgary and Hamilton downtown stores with very rewarding increases in sales. We are continuing this policy with major renovations planned this year for our downtown stores in Toronto, London, Ottawa, Winnipeg and Vancouver and in two Shopping Centres in Montreal.

Since the year end we have disposed of our Coronet Card Shops. It is the opinion of Management that the resources of the Company and the energy of its personnel will bring greater rewards when directed within the jewellery industry. This disposition of the Coronet Card Shops was at the Company's net cost.

As mentioned above, I ended my report to the Shareholders last year on a note of confidence. I am happy to again report that our experience during the first months of our current fiscal year with respect to both sales and profit are such to make us confident that the current year will show a substantial increase in net income from operations.

Respectfully submitted on behalf of the Board.

BERTRAND GERSTEIN,
Chairman of the Board.

Toronto, April 14, 1972.

PEOPLES CREDIT

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CONSOLIDATED BALANCE S

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ASSETS

CURRENT ASSETS	1972	1971
Cash	\$ 81,103	\$ 89,213
Accounts receivable (note 2)	7,165,025	7,456,121
Merchandise, valued at cost or market, whichever is the lower	7,094,655	7,341,619
Prepaid expenses	82,825	108,240
TOTAL CURRENT ASSETS	14,423,608	14,995,193
LOANS FOR EMPLOYEE SHARE PURCHASES (note 4)	1,042,528	1,156,496
EQUITY IN JOINT VENTURE, AT COST (note 7)	300,000	—
FIXED ASSETS		
Buildings	3,108,156	3,219,070
Furniture and fixtures	4,468,580	4,223,062
Automobiles	97,765	82,922
TOTAL — at cost	7,674,501	7,525,054
LESS: Accumulated depreciation	4,379,205	4,093,311
	3,295,296	3,431,743
Land, at cost	1,614,657	2,064,657
Leasehold improvements, at cost less amortization	657,560	592,665
TOTAL FIXED ASSETS	5,567,513	6,089,065

On behalf of the Board

Bertrand Gerstein, *Director*

Marvin Gerstein, *Director*

\$21,333,649 \$22,240,754

(the accompanying notes are a

JEWELLERS LIMITED

(In accordance with the laws of Canada)

Companies

STATEMENT OF ASSETS AT JANUARY 31, 1972

Figures for 1971

LIABILITIES

CURRENT LIABILITIES	1972	1971
Bank indebtedness (note 2)	\$ 799,092	\$ 3,413,415
Accounts payable	1,637,348	1,328,950
Income and other taxes payable	1,122,932	610,908
Dividends payable	111,791	74,527
Instalments on long-term debt due within one year	251,000	250,886
TOTAL CURRENT LIABILITIES	3,922,163	5,678,686
DEFERRED INCOME TAXES	175,000	147,400
LONG-TERM DEBT (note 3)	2,422,953	2,673,614

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)

AUTHORIZED:	SHARES
6% cumulative redeemable preferred shares, each of \$100 par value	7,117
Class A non-voting, participating shares without nominal or par value	2,000,000
Common shares without nominal or par value	1,000,000

ISSUED:

6% preferred shares (1971—7,737)	7,117	711,700	773,700
Class A shares	1,042,740	1,667,663	1,667,663
Common shares	447,800	84,233	84,233

2,463,596 2,525,596

RETAINED EARNINGS

12,349,937 11,215,458

TOTAL SHAREHOLDERS' EQUITY

14,813,533 13,741,054

\$21,333,649 \$22,240,754

Integral part of these statements)

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED JANUARY 31, 1972

with comparative figures for 1971

	1972	1971
Sales	\$27,520,925	\$25,509,502
<i>Deduct:</i>		
Cost of merchandise sold and all other expenses except those listed below	23,580,330	23,008,079
Depreciation and amortization	447,961	385,982
Interest on long-term debt	177,990	223,861
Interest on bank indebtedness	148,515	289,322
	<u>24,354,796</u>	<u>23,907,244</u>
INCOME before provision for income taxes and extraordinary item	3,166,129	1,602,258
Provision for income taxes	1,616,000	874,100
INCOME before extraordinary item	1,550,129	728,158
Gain on sale of property	—	395,125
NET INCOME for the year	<u>\$ 1,550,129</u>	<u>\$ 1,123,283</u>
Earnings per Class A and Common share (note 4):		
Income before extraordinary item	<u>\$1.01</u>	<u>\$.46</u>
Net income for the year	<u>\$1.01</u>	<u>\$.72</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED JANUARY 31, 1972

with comparative figures for 1971

	1972	1971
RETAINED EARNINGS — beginning of year	\$11,215,458	\$10,436,028
<i>Add:</i>		
Net Income for the year	1,550,129	1,123,283
	<u>12,765,587</u>	<u>11,559,311</u>
<i>Deduct:</i>		
Dividends — preferred shares	43,015	45,745
— class A shares	260,685	208,548
— common shares	111,950	89,560
	<u>415,650</u>	<u>343,853</u>
RETAINED EARNINGS — end of year	<u>\$12,349,937</u>	<u>\$11,215,458</u>

(the accompanying notes are an integral part of these statements)

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JANUARY 31, 1972

with comparative figures for 1971

Funds were provided from:	1972	1971
Operations:		
Net income for the year	\$ 1,550,129	\$ 728,158
Add: Expenses which do not require an outlay of funds:		
Depreciation and amortization	447,961	385,982
Deferred income taxes	27,600	66,900
	2,025,690	1,181,040
Payments on loans for employee share purchases	113,968	107,771
Proceeds on sale of property	600,000	750,000
TOTAL FUNDS PROVIDED	2,739,658	2,038,811
Funds were applied to:		
Dividends	415,650	343,853
Equity in joint venture	300,000	—
Purchase of fixed assets (net)	526,409	653,935
Reduction of long-term debt	250,661	628,381
Redemption of preferred shares	62,000	14,900
TOTAL FUNDS APPLIED	1,554,720	1,641,069
Increase in working capital	1,184,938	397,742
Working capital — beginning of year	9,316,507	8,918,765
Working capital — end of year	\$10,501,445	\$ 9,316,507

(the accompanying notes are an integral part of these statements)

AUDITORS' REPORT

To the Shareholders
Peoples Credit Jewellers Limited

We have examined the consolidated balance sheet of Peoples Credit Jewellers Limited and its subsidiary companies as at January 31, 1972, and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at January 31, 1972, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 27, 1972

Clarkson, Gordon & Co.
Chartered Accountants

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1972

1. CONSOLIDATION

The accompanying consolidated statements include the accounts of all subsidiaries.

2. ACCOUNTS RECEIVABLE

Accounts receivable have been pledged as security for bank indebtedness and are shown net of the following:

	1972	1971
Allowance for doubtful accounts	\$ 420,000	\$ 444,000
Unearned service charges	\$ 365,000	\$ 353,000

3. LONG-TERM DEBT

6¼ % Debenture due June 30, 1981 repayable in annual instalments	1972	1971
of \$245,000	\$2,475,000	\$2,720,000
7¼ % — 9¼ % Mortgages Payable due 1984 to 1986	198,953	204,500
	2,673,953	2,924,500
Less current instalments included in current liabilities	251,000	250,886
	<u>\$2,422,953</u>	<u>\$2,673,614</u>

Requirements for repayment of long-term debt in each of the next five years amount to approximately \$255,000.

The Debenture is collaterally secured by a fixed and floating charge on the Company's properties. Under the agreement securing the Debenture, there are various restrictions affecting the payment of dividends. At the end of the year consolidated retained earnings, free of restrictions and available for payment of dividends, exceeded \$4,000,000 (1971 — \$3,000,000).

4. CAPITAL STOCK

Capital stock as presented in these financial statements and as reflected in the earnings per share calculations is shown after giving effect to the issue of supplementary letters patent dated November 30, 1971 subdividing the authorized and issued Class A Shares and Common Shares on a two for one basis, increasing the authorized Class A Shares and Common Shares and decreasing the capital of the Company by cancelling certain First Preferred Shares and the Second Preferred Shares and varying the terms and conditions attaching to the Class A Shares and Common Shares.

The loans for employee share purchases arose in connection with the Executive Stock Purchase Plan (other than directors) and Select Employees Stock Acquisition Program of the Company. These amounts are non-interest bearing and are due in annual instalments to 1979.

5. OTHER INFORMATION

Eight officers of the Company received \$292,000 remuneration as officers. The three directors received no remuneration as directors and are all officers of the Company.

6. COMMITMENTS

A number of the Company's store locations are held on leases entered into for periods from five to twenty years. Most of these leases are for minimum rentals and many contain percentage-of-sales clauses. The minimum annual rentals payable under all such leases currently in force totals \$950,100 and actual rentals in the year amounted to \$1,341,800.

7. JOINT VENTURE

During the year, the Company sold a one-half interest in a property for \$300,000, being fifty percent of the original cost, and entered into a joint venture with the purchaser, the purpose of which is to redevelop this property in the future.

8. SUBSEQUENT EVENT

In March 1972, the Company sold the assets of the Coronet Card Shop operation for its net cost.

9. SHARE OPTIONS

On July 9, 1971 the Company granted options at \$6.25 post-split, to certain officers (other than directors) and employees to purchase Class A Shares. The options are granted for six years and may be exercised as to 20% of the optioned shares, on a cumulative basis, in each of the years commencing one year after the date of granting the option. As at January 31, 1972, options to purchase 51,500 Class A shares were outstanding of which, options for 13,000 Class A Shares were to officers.

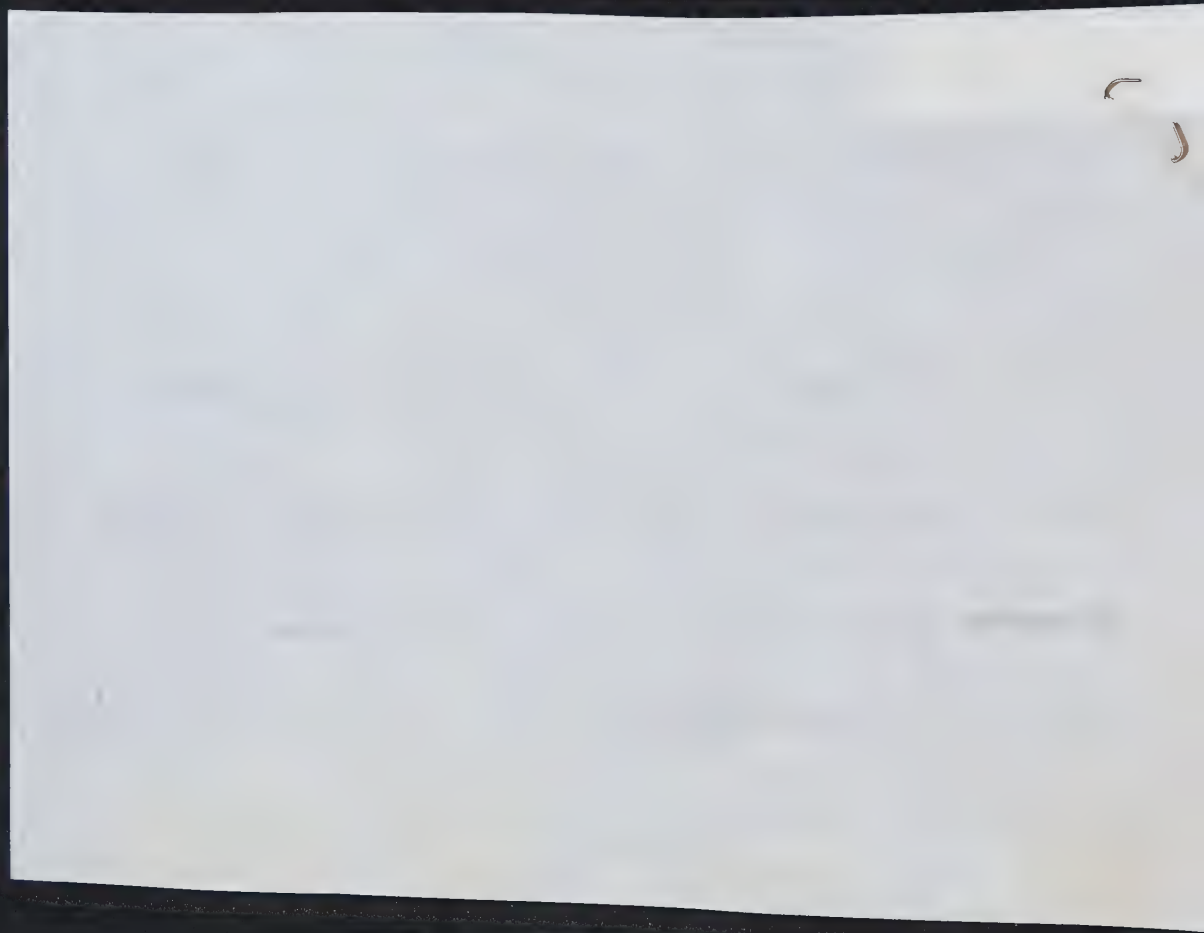
The exercise of the outstanding options would not result in a material dilution of earnings per share.

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✓ PEOPLES CREDIT JEWELLERS 26 WEEKS AUG 1 NET
LOSS 114 780 DLS VS RESTATED PROFIT OF 137 380
DLS A YEAR AGO - SALES 9 867 433 DLS VS 9 659-
921 DLS

MANAGEMENT IS OPTIMISTIC THAT RESULTS FOR
THE LAST HALF OF THE YEAR WILL OFFSET THE
LOWER EARNINGS OF THE FIRST HALF SINCE THE COM-
PANY NORMALLY EARNS BOTH 60 PC OF ITS ANNUAL
SALES AND MORE THAN 80 PC OF ITS ANNUAL PROFITS
DURING THE FALL AND CHRISTMAS SEASON B GERSTEIN
CHAIRMAN SAID

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durnford oct. 1

Peoples Credit Jewellers Ltd. of Toronto had a loss for the 26 weeks ended Aug. 1 of \$114,789, compared with a restated profit of \$137,369 a year earlier. Sales increased to \$9,867,433 from \$9,659,921.

Bertrand Gerstein, chairman, says results for the ^{balance} ~~first half~~ the year should offset the loss of the first half because the company normally produces 60 per cent of its annual sales and more than 80 per ~~percent~~ cent of its annual profit during the fall and Christmas season.

FROM: Peoples Credit Jewellers Limited

REF: Public & Industrial Relations Limited
36 Toronto Street
Toronto, Ontario. 364-2154
W. R. Dalglish

FOR IMMEDIATE RELEASE

Oct 20, 1971

MD

An increase in the annual dividend rate from 40¢ to 60¢ per share was announced today by Peoples Credit Jewellers Limited. The increase is effective November 15, with a 15¢ per share quarterly dividend payable at that time to shareholders of record October 29, 1971. The increase applies both to Class A and Common shares.

The previous dividend rate of 40¢ per share was established in 1966.

"This move reflects, in part, the very substantial turnaround in profit of 94 retail outlets which this company owns and operates across Canada," Bertrand Gerstein, Chairman of the Board said. "The turnaround began in the second half of 1970 and continues through the current year," he said. "The increase also reflects a desire to distribute a higher percentage of per-share earnings among our shareholders," Gerstein said.

Peoples Credit Jewellers operates a total of 94 retail outlets across Canada, including 63 under the name "Peoples", 10 Mappins and six MacKenzies, eight leased departments in major department stores

and seven Coronet Card shops. Both Mappins Ltd. and J. Alex MacKenzies Ltd. are wholly-owned subsidiaries of Peoples Credit Jewellers, specializing in the "carriage trade".

Consolidated sales of \$10,342,239 were reported for the first six months of the current year, an increase of \$474,806 or 4.8% over the same period in 1970. Net income for the period was \$231,600, compared with a loss of \$114,789 a year ago. Income before provision for income taxes was \$503,478, compared with a loss in the same period of 1970 of \$249,541. "This reflects a turnaround of \$753,019," Gerstein said.

"During the current year 7 new retail outlets are being opened, including 6 Peoples Credit Jewellers and one Mappins store and in 1972 the company intends to open a further 15 outlets," Gerstein said.

October 20, 1971.

Mr. Roddy
366-2281

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